

Bureau of Insurance Statement Regarding Maine Community Health Options' Results January 7, 2019

CHO reported net income of \$0 for the month of November (\$2.6 million higher than the Plan's expected \$2.6 million net loss) and its year-to-date net income at the end of November was \$32.9 million (\$24.4 million more than Plan). (Please see the explanation below of the approximately \$1.9 million reduction in November of the \$11.8 million policy reserve carried at the end of October.) Total revenues YTD were \$5.8 million (1.6%) less than Plan and total expenses YTD were \$1.9 million (3.7%) less than projected in the Plan. As of November 30, 2018, the Company's total reported surplus was \$66.3 million, a \$32.5 million (96.4%) increase from December 31, 2017 and a \$0.7 million (1.1%) increase from October 31, 2018.

The Company reported bonds, cash, cash equivalents, and short-term investments in November totaling \$163.7 million, a \$100.9 million increase from the \$62.8 million CHO reported at December 31, 2017, and an increase of 6.9% over the amount reported for October 2018. These assets exceed the Company's accrued liabilities for member and provider-related obligations and the BOI remains comfortable that CHO has the assets to meet its current obligations to members and their health care providers.

CHO had total membership of 50,836 at the end of November (79.6% individual, 17.3% small group, and 3.1% large group). This reflects a 0.8% decrease in total membership from October 31, 2018, but is 5.0% greater than Plan.

The reported percentage of Net Outstanding Claims Inventory (which is the total pending Net Submitted Amount at November 30, 2018) in the 0-30 day period (83.1%) was lower than the figure reported for October 31, 2018 (91.8%). The 0-60 day period inventory (94.7%) was slightly lower than reported for October (95.7%). The BOI is monitoring the aging of the claim inventory on a weekly basis, so more recent information is available. CHO reports that as of December 31, 2018, the percentage of Net Outstanding Claim Submissions in the 0-30 period was 93.2% and in the 0-60 day period 95.1%. The age of the average claim in CHO's inventory on December 31, 2018 was reported to be 6.5 days.

CHO's reported net income/loss for November continues to reflect a conservative approach to claim reserving which is appropriate in light of the Company's results in the last few months of prior years. This includes the continued recording of a policy reserve which estimates negative claim experience expected in the latter portion of the year as members satisfy deductibles and other cost-sharing thresholds. (The roughly \$9.8 million policy reserve, as of November 30, 2018, was in addition to the reserve for unpaid claim obligations (\$49.5 million as of November 30, 2018).) During November the policy reserve was reduced, as its purpose intended, by approximately \$1.9 million to offset what would otherwise have been a loss in that amount for the month.